

Stichting *AIDS Foundation East-West (AFEW)*

Report on the Financial Statements for 2014

This report has been drawn up in accordance with the 2008 **Directive for Fundraising Institutions (RJ650)**, as published by the Dutch Council for Annual Reporting. This directive provides the public with clear criteria for assessing fundraising cost ratios, the expenditure of funds and how far these funds have been spent on the goals for which they were intended.

The following financial statements have been prepared from the accounting records of *AIDS Foundation East-West (AFEW)* and in accordance with the organisation's accounting policies.



AFEW registered with Algemeen Nut Beogende Instelling (ANBI) in the Netherlands. ANBI status confirms that AFEW is a charitable organization that serves the public interests. AFEW is recognized as a charity, therefore all donations are tax deductible and they are fully exempt from gift tax and inheritance tax.

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attachment to letter nr. 1563/11615 date 11/6/15
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Contacts

AFEW International Office (Amsterdam)

Executive Director

Anke van Dam

anke_van_dam@afew.nl

Senior Financial Manager

Tamara Ammerlaan

tamara_ammerlaan@afew.nl

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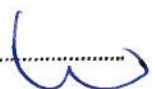
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Report of the Board

The members of the *AFEW* Board are pleased to present the organisation's 2014 financial statements.

Who We Are

AFEW Network promotes health and increased access to prevention, treatment and care for public health concerns such as HIV, TB, viral hepatitis and sexual reproductive health and rights. The focus and objectives of the members of *AFEW* Network reflect the local conditions and the needs of the local societies, and is:

- Capacity strengthening of local NGOs and governmental organizations;
- Development of mass media campaigns;
- Development of informational and educational materials and events to inform the target population;
- Advocacy;
- Serving as an effective liaison and partnership with community and governmental structure;
- Piloting and expanding innovative approaches to HIV prevention, treatment, care and support.

We work in six countries in Eastern Europe and Central Asia – the only region in the world where HIV and TB epidemics are still growing and where the rate of injecting drug use is the highest than elsewhere. Equipped with an average of 75 devoted professionals, in 2014 *AFEW* Network ran a total of 16 projects in Georgia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Ukraine.

Our Approaches

All the programmes in *AFEW*'s extensive portfolio are founded on the principle of **universal access** and exemplify an approach based on **human rights and social justice**. Put simply, the starting point is that everyone should have equal access to HIV/AIDS, TB and viral hepatitis treatment, prevention and care, including services that reduce harm from drug use or other risky behaviours.

AFEW positions itself as a **partner organisation**. As such, the organisation participates actively in several of the foremost international consortia dealing with HIV and AIDS, as well as building grassroots networks of service providers and local NGOs. *AFEW*'s unique value as a partner lies in its extensive experience of working in local healthcare infrastructures combined with its international-level expertise, especially on harm reduction and prison health.

Methods

Through constructive engagement with governments and civil society in the countries where it works, *AFEW* **advocates** for the basic human right to health and demonstrates why it must be extended to reach the most marginalised, stigmatized groups in society.

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Recognising that civil society can be effective in filling voids in the health and social systems of the EECA region, *AFEW assists local organisations* with technical support (hands-on training, and customised consultations) so that they can reach more people and serve them more effectively.

Working directly with those who live at the sharp end of the epidemic, *AFEW empowers key populations at higher risk* with targeted, accurate information and assistance in building their own support networks.

Where basic treatment and care (for instance, antiretroviral drugs, care for pregnant women, prevention tools, etc) are absent or inadequate, *AFEW supports the development of direct services to key populations*. In particular, different departments of the healthcare systems in EECA (i.e. tuberculosis clinics, AIDS centres, drug rehabilitation centres) often work in isolation from one another, leading to gaps in care for people with complex issues. *AFEW's* client management models and HIV/TB collaborative activities bridge these gaps and help service providers to better structure their responses.

Finally, *long-term sustainability* lies at the heart of *AFEW's* programming, meaning that each project activity comes with a clear strategy for its eventual handover to local authorities, governments or civil society groups.

The People We Reach

People who use Drugs. At the core of *AFEW's* effort to reduce the exceptionally high level of HIV transmission among injecting drug users in EECA is the support for harm reduction and the set-up of national harm reduction and people who use drugs networks. These networks comprise training centres for professionals, needle exchange points, introduction of opiate substitution therapy and provision of less harmful alternatives to injecting drugs.

Prisoners. *AFEW* works together with ministries of justice, prison health experts, inmates and local NGOs to strengthen local capacity and ensure that prisoners have the same access to information and services as those living outside prison walls. This policy is in line with the internationally accepted principles of the World Health Organisation (WHO). Given the high rate of injecting drug use in the prisons in the region, this implies that *AFEW* also advocates for provision of needle exchange and opioid substitution therapy in prisons. Another major component of *AFEW's* prison work is the introduction and upscaling of *transitional client management*. To ensure continuity of care for released prisoners, a system has been developed that prepares prisoners for release and guides them to medical and social assistance outside of prison.

Vulnerable women. Power and economic imbalances related to gender can increase the vulnerability of women. This vulnerability combined with stigma against female drug users and sex workers leave women with reduced access to harm reduction and drug treatment services. Women living with HIV also require separate attention, if only because of the issue of prevention of mother-to-child transmission (see below) and child care. Activities for *sex workers* aim to create non-discriminatory, non-judgmental and user-friendly medical and psycho-social services, including HIV prevention, counselling and testing services.

People living with HIV. Stigma and discrimination remain prevalent in the countries of EECA, even within the very services that they rely on for treatment and care. Breaking through the wall

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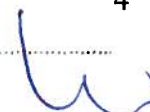
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of prejudice directed at this group is vital to addressing the HIV epidemic and is therefore a priority area for *AFEW*. Education, training and advocacy within state services are combined with mobilization and support of communities of people living with HIV.

Most-at-risk adolescents. *AFEW* develops informational materials, outreach programmes and peer training initiatives especially for young people living in high-risk circumstances. Activities for *street children* focus on developing support systems for children who are deprived of family care and protection. Drop-in centres provide all-round safe havens where children can receive basic services, such as a shelter, food, warmth, clothing, recreation, family mediation and health services. Activities for *young girls that are involved in sex work* focus on empowerment and making informed choices about their lives. Vocational training is offered in order girls want to find alternatives in life. Activities for *young drugs users and young offenders* focus on information and education on healthy lifestyles, including information on HIV and drugs.

Men who have sex with Men (MSM). MSM is one of the key populations at risk. Due to stigma and discrimination MSM encounter barriers in accessing information and health services and having a healthy and satisfying sexual life. *AFEW* is collaborating with local LGBT organizations in training of police officers, capacity building, reaching out and offering information and VCT to MSM.

Governmental and non-governmental organizations (national and international). As part of *AFEW*'s sustainability strategy, *AFEW* strengthens the capacity of local governmental and non-governmental partners. *AFEW* provides technical support in order to equip staff with the right knowledge to provide HIV prevention, treatment, care and support that is up-to-date and of good quality. For instance, *AFEW* trains police staff in HIV prevention and creates a resource centre and a pool of trainers to make such a training programme sustainable. Organisational development comprises training in management skills, administrative and financial skills, monitoring and evaluation and fundraising. These skills promote the sustainability of our partners and hence the sustainability of the approaches that we introduce.

Tuberculosis related activities and TB Patients. *AFEW* is improving knowledge of Tuberculosis among staff of NGO's in Ukraine by developing an e-learning module. *AFEW* joins a consortium of Dutch organizations that enhances integration of HIV and TB.

We invite you to read more about *AFEW*'s projects, past and present, on our website at www.afew.org

Our achievements

AFEW Network has reached out to more than **57,000** people with information, training on self-protection and empowerment, and means to prevent hiv. The majority were people who use drugs and sex workers. There is an increase of 14% of people with last year *AFEW* has reached with information, via information sessions or mini-trainings and awareness raising..

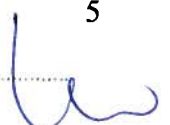
1,850 (an increase of almost 500 people compared with 2013) people received training to improve their knowledge and skills in contributing to the prevention and care of hiv. Topics of training are: harm reduction, client management, project management, advocacy, resource mobilization etc.. Training has become more focused on improving the quality of standards of services and strengthening the organizational capacity of our partners. Representatives of **205**

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governmental and non-governmental organizations were trained by us. This number demonstrates the width of AFEW's network.

Capacity strengthening is an important component of AFEW's work. AFEW strengthens the organizational capacity of organizations with which we have a long relationship and improves the quality of services of those partners with a history of working with client management. HIV and AIDS have become topics that professionals and the general population are aware of, there is less need for general training or mass media campaigns on the basic information of this public health concern.

Projects 2015

AFEW international secretariat continues leading the multi-year multi-country project Bridging the Gaps: Health and Rights of Key Populations having its activities in Georgia, Ukraine, Kyrgyzstan and Tajikistan. The project is funded by the Netherlands Ministry of Foreign Affairs.

The International Secretariat is also coordinating the by ViiV granted project: *'Promotion of healthy life style and improving the personal skills among young offenders in the Republic of Kazakhstan'* and the by GoSHAPE (Gilead) grant programme funded project: *'Get informed, Get tested'*.

In 2015 AFEW as part of the Bridging the Gaps Alliance, will submit a proposal for the prolongation of 'Bridging the Gaps, health and rights of key populations'. At the end of 2015 we will hear the result. Furthermore, AFEW is submitting proposals to Global Fund, Gilead, Dutch Ministry of Foreign Affairs. Several other small projects are expected to be signed by the AFEW international secretariat during 2015, among which is technical assistance to International NGOs and AFEW local NGOs. AFEW international secretariat continues receiving small annual donations from AIDS-Fondet Denmark for Drop-in Centre for Street Children project in Kyiv, Ukraine. The donor provides irregular contribution to the project, depending on its own fundraising.

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Governance and Finance

Governance

AIDS Foundation East-West fully complies with the code of good practice for charity organisations in the Netherlands, the Code Wijffels. The *AFEW* Board is the **highest level of decision-making in the organisation**. It delegates day-to-day management responsibilities to the Executive Director who then delegates specific responsibilities to other members of *AFEW*'s Management Team (MT) and senior management in regional offices.

Board members bring to the organisation their professional experience in various fields of work, from specialised knowledge of medical treatment and the HIV/AIDS epidemic to expertise in management and budgeting. The Board is charged with overseeing the overall operation of the organisation in order to ensure **good standards of transparency and accountability**. The Board approves the organisation's strategy and the budget, as well as advising the Management Team and senior managers on strategic issues. The Board also evaluates and appraises the work of the Executive Director. Board members receive no financial compensation for their work.

Board Members

As of 31 December 2014, the *AFEW* Board consisted of six members.

Frank de Wolf (Chairman)
James Nolan (Treasurer)
Elena Vovc (Board Member)
Leah Utyasheva (Board Member)
Guido van den Berk (Board Member)
Cate Hankins (Board member)

[Read their biographies](http://www.afew.org/about-afew/who-we-are/): <http://www.afew.org/about-afew/who-we-are/>

Board Meetings in 2014

The Board met via a teleconference in April. A second teleconference planned for November 2014 was postponed to January 2015 due to unavailability of board members. The chair of the board and the executive director had contact separately during the year in order to discuss strategy and directions.

The first teleconferential meeting was to approve the Annual and Financial Report 2013, and the Annual Work Plan 2014. The Board agreed with the last step in the reorganisation: to replace the position of Financial Director (taken by Elena Agapova) by the position of senior financial manager (0.6 fte). The reorganisation is now completed.

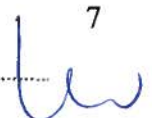
Frank de Wolf and James Nolan agreed on another 1 year term. Guido van de Berk agreed for a term of another 3 years.

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Accountability

The Board is satisfied the financial statements prepared by the Management Team for the year ending 31 December 2014 fairly reflect the financial position and operations of *AIDS Foundation East-West (AFEW)*. The Annual Report 2014 provides a fair reflection of the programmes, activities and results achieved in 2014. All members of the Board accept responsibility for the Board's annual report and the financial statements prepared by the Management Team. The auditors, KPMG, have approved these financial statements for publication.

Performance and Strategy

AIDS Foundation East-West strategic objectives:

AFEW's strengths lie in its focus on key populations most at-risk of public health concerns like HIV, TB and viral hepatitis, particularly people who inject drugs, people in prisons and detention centres, sex workers, MSM and street children whether they are living with HIV or not. Within this area we stand out in our prison work. Therefore, particular attention will always be paid to the role of prisons in public health with respect to the concerns listed above.

Our focus on Eastern Europe and Central Asia and our experience in the region are unique because of the scope of countries and services in which we are involved. We will continue to commit to the region and expand within it where opportunities exist. *AFEW* is open to starting activities in countries beyond the region. While *AFEW* has limited capacity to do so, it may occur in the framework of technical support in programmes run by others and it may also be necessary to become less dependent on the dwindling funding opportunities for EECA.

Our mission contains four strategic elements (advocacy, decreasing stigma and discrimination, innovative strategies for promoting healthy behaviours, and engaging communities and government) that can be translated into three strategic objectives:

Advocate for protection of the right to health;

Increase access to services and reduce stigma and discrimination;

Build the capacity of communities, NGOs and government organisations (GOs)

1. Advocacy for protection of the right to health

Advocacy is becoming an important tool to draw attention to key populations, HIV, AIDS, harm reduction, and other health-related concerns. To ensure funding, domestic resources, political attention and prioritisation, the need for advocacy has become stronger.

2. Increase access to services and reduce stigma and discrimination

AFEW has introduced the Client Management model into Eastern Europe and Central Asia. This model focuses on the individual and simultaneously strengthens the healthcare system by building a network of services. Client Management has proven to increase the adherence to therapy, and to reduce recidivism of prisoners. We continue to develop and promote this

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approach in the region. *AFEW* ensures that good quality service delivery is linked with the advocacy agendas of stakeholders in the region. While advocating for increasing access and for quality of services; conditions, standards and availability of those services should be put in place.

Prison Health

AFEW is recognised for its expertise on prison health and working with prison authorities. We continue and expand our leadership role in HIV, TB and viral hepatitis prevention and care in prisons and promote essential elements like harm reduction, including needle exchange and substitution therapy. Transitional client management that prepares prisoners for release and ensures linkage to follow-up after release is a valuable variant of client management that meets many of the (ex)prisoners' needs, and will therefore be scaled up.

3. Build the capacity of local communities, NGOs and GOs

Civil society is a key stakeholder in the response to the HIV epidemic, tuberculosis and viral hepatitis. The health system and other governmental organisations need to have the necessary capacity to act as well. In bringing civil society and governmental actors together, *AFEW* contributes to building diverse and open partnerships. Capacity strengthening in a sustainable way continues to be our key activity for the region.

In some areas where our expertise transcends the regional experience, such as HIV in prison systems, technical assistance is given outside the geographical region of EECA.

Programme Development

In 2014, we continued to adapt our programmes to take into account **emerging trends in the epidemic in EECA**. Injecting drug use has always been the major vehicle for HIV transmission in the region, but in recent years heterosexual transmission has begun to play a far greater role, especially in the older epidemics in Russia and Ukraine. For this reason, we are increasing our focus on sexual health services for **vulnerable youth** and empowerment of **women's** groups. Eastern Europe and Central Asia region is the only region in the world where the HIV epidemic is still growing (UNAIDS global report 2013 says that the number of people living with HIV has almost tripled since 2000 and reached an estimated total of 1.7 million in 2012). The vulnerable groups like people who use drugs, sex workers, men who have sex with men and prisoners are most at risk. *AFEW* will continue its focus on those groups.

In 2014 *AFEW* Network continued implementing a substantial part of budget for **prisoners**. Prison health can be considered as *AFEW*'s core competence.

AFEW will continue its advocacy to include **TB** activities in HIV projects. In 2014 *AFEW* continued its collaboration with KNCV and assessed the need for training of integration of TB and HIV care in Ukraine. *AFEW* joined a consortium of KNCV, HIVOS and PharmAccess to enhance the integration of private service providers into Global Fund funded activities.

AFEW has started its first **Hepatitis C** project. In Tajikistan people who use drugs are tested to assess the prevalence of Hep C and determine the needs for policy change as follow up.

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In 2014 *AFEW* organized the **International City Health Conference** in Amsterdam. *AFEW* identified the crucial role of municipalities in addressing the needs of key populations. The conference attracted international renowned speakers and 200 participants.

In 2014 *AFEW*'s activities in the framework of '**Bridging the Gaps: health and rights of key populations**' were expanded with internet-based capacity building and e-learning activities. In Ukraine blended learning modules on TB were introduced to social workers and NGO staff. Furthermore *AFEW* continues to increase the accessibility for up-to-date information on internet via focal points and web-based platforms with experts. *AFEW* collaborates with GIZ in Kyrgyzstan in the Netherlands in this matter.

Geographical Coverage

AFEW network has members in Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Ukraine. *AFEW* international secretariat is based in Amsterdam, the Netherlands. *AFEW* Ukraine is implementing activities in Georgia.

Communications with Stake-holders

AFEW's Strategic Plan sets a series of objectives for communications with a variety of stakeholders. As a Dutch organisation, which has benefited from core funding from the Dutch and EU tax-payers over the years, *AFEW* has **a responsibility to inform public in Western Europe about HIV in EECA.**

AFEW continued to attract attention to its work at **key moments such as World AIDS Day, World TB Day and during the launch of new projects**, through events and press liaison at the regional level, together with online reporting. Furthermore, *AFEW* communicates with its stakeholders through the general website and Facebook, the annual report and newsletters.

Human Resources Management and Efficiency

Ethical work practices are one of the guiding principles of *AFEW*. ***AFEW* Code of Conduct** clarifies certain issues related to privacy, conflicts of interest, the use of *AFEW*'s property and behaviour that could damage *AFEW*'s reputation or expose *AFEW* to legal liability. The Code illustrates ethical standards that apply to all *AFEW* employees worldwide.

AFEW staff adheres to a high and uniform set of conduct standards. Every employee has a personal obligation to uphold these standards, and act in an ethical manner with each other, our partners, target groups and the general public. Employees of *AFEW* are motivated to contribute to a common cause and feel close to the core values of the organisation. Consequently, employees should always represent the organisation in a professional way.

Due to less overall budget the international secretariat has an executive director and a senior financial manager. The tasks of Executive Director are combined with tasks for Programme Development.

Fundraising

HIV/AIDS has less priority on the international and national political agendas. Less funding is available for activities related to HIV. The Global Fund to fight against AIDS, TB and Malaria

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is withdrawing from middle income countries, of which some of them are in Eastern Europe and Central-Asia. Domestic funding for HIV and Harm Reduction is very, very limited available.

Less external donors are interested in financing activities for Russia and the other countries of the former Soviet Union. Civil Society feels the biggest pain of the withdrawal of international funders.

In 2013 Russia has accepted its law on being registered as 'foreign agent' when receiving money from external donors for human rights activities. A similar law has been proposed in Kyrgyzstan and will be proposed in other countries of the region. Kyrgyzstan parliament has rejected this law. These laws have implications for fundraising, so far it didn't affect AFEW.

For 2014 - 2015, the income part of the budget at this moment is based on Bridging the Gaps multicounty project financed by the Ministry of Foreign affairs of the Netherlands. Accordingly, annual income around € 2,1 million is budgeted for 2015. However, during 2015 AFEW plans to receive additional funding. More details on budget 2015 are presented in the Forecast 2014 paragraph below.

In 2014, *AFEW* Network continued its relations and signed new contracts with donors like Global Fund, Open Society Foundation, Gilead, UNODC, ViiV, Project Hope and USAID. New proposals to EU, UNDEF, UNIFEM and Dutch Postcode Lottery were rejected.

AFEW is implementing activities in the framework of The Global Fund to fight AIDS, TB and Malaria in Tajikistan, and Russia. *AFEW* Russia has finished its Global Fund activities at the end of 2014, as well it has finished the by MAC AIDS Foundation and Dutch Embassy in Moscow funded projects during the year. *AFEW* Russia succeeded in continuing the relationship with MAC Foundation, which granted a project for women living with HIV. *AFEW* Kazakhstan received a grant from USAID to coordinate the HIV REACT project, that deals with HIV prevention, treatment and care in prisons and to be implemented in Central Asia. An *AFEW* Moldova NGO is registered, but not yet functioning.

Fundraising Strategy for 2014 and Beyond

AFEW is joining other Dutch HIV/AIDS and sexual and reproductive health organisations in advocacy efforts to have sexual and reproductive health and rights and HIV/AIDS on the political agenda. Joint letters were sent to Minister of Foreign Affairs and Minister of Trade and Development Cooperation. The Dutch Ministry of Foreign Affairs takes harm reduction and the increasing HIV and TB burden in EECA serious. The harm reduction platform to which Dutch drugs and drugs-policy organisations are participating, is preparing for the UNGASS on drugs 2016.

AFEW as member of the Bridging the Gaps Alliance will advocate for continuation of this project after 2015. A Sexual and Reproductive Health and Rights call for proposals will give the opportunity to apply for an extension of the Bridging the Gaps project.

AFEW is also joining EECA NGO's and networks (*AFEW* joined the EU Civil Society Forum on HIV) in the lobby for more financial support with UNAIDS and Global Fund.

We are diversifying our funding sources by engaging with new trends in the HIV epidemic in EECA. We continue with applications for funds allocated specifically for women's and youth

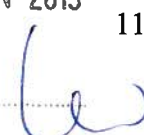
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projects. Gender-based and youth-specific projects are urgently required as we see a rise in the proportion of cases affecting females and adolescents.

Our organisation has started to offer consultancy and training to companies. AFEW will continue approaching companies and organisations and offer its expertise.

Risk Categories

Strategy

AFEW is working along its strategy plan 2014 – 2016: 'Focus on Key Populations and Public Health Concerns'.

Mission of AFEW

AIDS Foundation East-West is an international network of civil society organisations that is dedicated to improving the health of key populations¹.

With a focus on Eastern Europe and Central Asia, AIDS Foundation East-West strives to promote health and increase access to prevention, treatment and care for public health concerns such as HIV, TB, viral hepatitis, and sexual and reproductive health and rights.

We seek to do this by:

- Advocating for human rights for key populations and protecting their rights to health.
- Decreasing the stigma of HIV/AIDS by providing information to community leaders and creating a supportive environment.
- Utilising innovative strategies to promote healthy behaviours.
- Engaging communities in developing participatory approaches.

Vision

The vision of AFEW is a world where all people, regardless of their role in society, habits or their HIV status, have access to healthcare and other services that give them the opportunity to achieve their full potential.

AFEW as one of the few international NGOs working in Eastern Europe and Central Asia has built up extensive expertise and knowledge about the region, its health care structure and its

¹ Key populations are disproportionately affected by public health concerns as HIV, tuberculosis and viral hepatitis when compared with the general population and they are key to the response. AIDS Foundation East-West works for and with people who are using drugs, prisoners, sex workers, men who have sex with men, youth and women.

needs. AFEW has better reflected its work for different groups of key populations and in different areas (not just HIV and/or harm reduction) in its mission and strategic objectives.

AFEW will use the coming 2014 and 2015 for consolidating the network.

Operational risks

In 2013 AFEW restructured its organisation and has become a network with 6 members, locally registered NGOs, and an international secretariat in the Netherlands. This restructuring is in line with the policy of the Dutch Ministry of Foreign Affairs, one of *AFEW*'s big donors; the capacity of the local staff is strengthened allowing them to work independently. The new structure will make local organisations eligible to compete for national HIV/TB programme funds."

The new organisational structure will retain *AFEW*'s highest standards of transparency and accountability by carrying out regular internal and external audits and each network member having a local board of trustees. Lastly, *AFEW* Network will continue providing good governance to secure success in project implementation.

The number of directors at the international secretariat office in Amsterdam is reduced to 1. The executive director is combining her tasks as general manager with the tasks of programme development. The finance department is not headed by a Director, the position is replaced by a senior finance manager, for 0.6 %. *AFEW* kept its reduced capacity for communication activities (0,5 fte), and has still no resources for development of staff. On the long run this will hamper *AFEW*'s visibility and capacity.

AFEW could not make budget free for a monitoring and evaluation (M&E) specialist based in the International Office this year. *AFEW* network has M&E capacity with the members to secure evaluation of the local projects. Bridging the gaps: health and rights for Key Populations in Ukraine, Georgia, Tajikistan and Kyrgyzstan project budget gives room for overall M&E for the activities in the 4 countries.

By integrating budgets for communication into projects *AFEW* tries to overcome lack of communication capacity. By including visits to conferences into projects budgets *AFEW* gives staff in this way an opportunity to gain knowledge.

AFEW shares staff with Mainline, a Dutch Harm Reduction organisation; a joint programme officer is contracted for the implementation of Bridging the Gaps: health and rights of key populations.

Financial Reporting and Financial risks

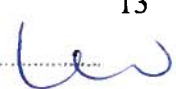
AFEW is staying in close contact with donors regarding financial items, including reporting and budget changes. Financial risks which took place in 2014 and may have place in future work are described below.

- 1) Rejection by the donor to accept some expenses as justifiable. *AFEW* staff is always striving to follow to the donor procedures and avoid situation when inapplicable

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expenses take place. In case some expenses are not accepted by donor, AFEW can cover costs from its contingency reserve.

- 2) Many donors have a rule to put on hold final tranche until verification of the final report. As a rule, final tranche amount is not bigger than 7% of the grant. However, approval of the final report can take some time. As a result, AFEW have to prepay some expenses from its own money. AFEW communicates this issue to donors and tries to receive payments from donors on-time.
- 3) Exchange rates differences between *AFEW* internal financial system Axapta and some donors fixed exchange rates may lead to some *AFEW* gain/losses, which is difficult to predict. Amount of the gain or loss is not material.

Legislation

In each country of its operation, *AFEW* members work according to the local legislation. Legislations in the countries where *AFEW* works might change; new laws regarding the status of (inter)national NGO's or the content of work (*AFEW* has projects for controversial themes like harm reduction and prison health) might occur. *AFEW* Network members are aware of changes in law and know how to respond.

Regulations

AFEW Network has a set of internal policies and procedures which are followed by all members. Internal audits, executed once a year in one office, check the understanding and interpretation of *AFEW*'s regulations, and reveal hick-ups. *AFEW* is reviewing its internal regulations constantly and is revising them when needed.

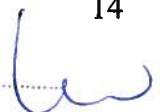
With limited staff capacity, only financial, human resource administration and legal issues were evaluated during last years' internal audits.

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Financial Results for 2014

AFEW closed the financial year 2014 with an expected and budgeted negative result. Based on the Board's decision, negative result of 2014 has been covered and split between different AFEW reserves and Special purpose fund. More detailed analysis of income and expenditures is provided below.

Exchange Rates

Since 2009, AFEW has used the Euro as its internal management currency within the Axapta financial system. Thus, the 2014 financial statements are shown in Euros.

AFEW has reported to donors using an average exchange rate for the year, except in cases where donors have requested a special exchange rate.

Income

The total income available for core objectives in AFEW's twelfth's operational year was €1,731,946, which represents 35% decline compared to 2013 (€2,647,675). The decline was foreseen with the overall funding decrease last years on HIV/AIDS prevention, treatment, care and support activities. This is an expected result in a period where, due to the financial crisis and shifting donor priorities, funding opportunities for organisations like AFEW were diminishing. The decrease of income is also related with restructuring of AFEW, which took place in 2013. Description of income of AFEW network is presented in the Annual Report 2014.

Expenditure

Expenditures in 2014 were bigger than income, totalling €1,802,826. It was 35% lower (€2,771,251) than the expenditure in 2013.

Fundraising

In 2014, AFEW maintained relationships with major international governmental and non-governmental donors and signed new contracts in the total amount of €90,332. All new contracts were granted for a short period of time (one year or less) what makes difficult to implement programs and ensure continuation in future. The total amount of contract subsidies signed to date is around €74 million.

During 2014 all the open contracts from 2013 where closed or taken over by local independent AFEW NGOs in Russia, Ukraine, Tajikistan, Kyrgyzstan and Kazakhstan. In 2014 AFEW international secretariat was leading only "Bridging the Gaps" project (4th year) and two new small projects.

Information about subsidies received and contract reversals in 2014 are presented in the following table, together with information about all open contracts.

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AFEW signs grants with donors in different currencies, mostly in Euro or US dollars. During 2014 all grants were signed and money received in EUR. In the table below the grant amounts are presented in the currencies of the contract, to reflect the actual contract information.

Open contracts subsidies signed (Contract currency)

Donor	Signed in operational year	Contract currency	Reference #	Amount	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	TOTAL SPENT	balance in contract currency
Subsidies from Business:											
Gilead Sciences Europe Ltd	2014	EUR	1538	40.905					2.045	2.045	38.860
Subsidies from Governments:											
The Netherlands Ministry of Foreign Affairs (Key Population Fund)	2011	EUR	23176 from 15 August 2011	6.112.271		3.024	867.300	1.242.150	1.662.006	3.774.480	2.337.791,00
The Netherlands Ministry of Foreign Affairs (Operational research Ukraine)	2014	EUR	02.07.2014	41.200					17.990	17.990	23.210,00

Fundraising Expenditure

In 2014, *AFEW* updated its definition of income and costs related to its own fundraising in line with the RJ650 guidelines for annual reporting by fundraising institutions and changes in *AFEW* policy in 2013. More details about our reclassification of costs related to our own fundraising is given under 'Costs of Raising Income'.

Over the last three operational years, 5% of *AFEW*'s income that was generated by its own fundraising was spent on further fundraising activities.

Management and Administration Costs

AFEW's indirect (or overhead) costs cover the costs involved in raising income and management and administration (M&A). *AFEW*'s own guidelines stipulate that total indirect costs should not exceed 15% of the organisation's total expenditures. Total indirect costs in 2014 amounted to €232,928, which represented 13% of the organisation's total expenditure for the year.

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AFEW has no core funding to cover its indirect costs. Therefore, *AFEW* depends on its donors allowing a proportion of their project grants to be devoted to these indirect expenses, which maintain the organisation's infrastructure. In 2014, year-end result is negative since management and administration costs were not covered by donors in full. For more information, see 'Management and Administration Costs'.

Starting from 2014 balanced budget is planned. With implemented new structure in 2013 when branches of *AFEW* became independent local NGOs and restructuring is finalized in the *AFEW* international secretariat office, no deficit is expected in 2015.

Although *AFEW* sets an internal standard that M&A costs can be as much as 10% of total expenditure, it strives to keep these costs well below this standard.

AFEW has brought its approach to and definitions of M&A costs into line with RJ650 guidelines. As a result, a separate heading for M&A was added to the profit and loss statement. RJ650 guidelines allow fundraising institutions the freedom to determine which costs will be allocated to M&A, as long as a consistent method is used. Each fundraising institution is obliged to create its own guidelines for determining these expenses. For this purpose, *AFEW* uses the VFI Recommended Application of Guideline RJ650 for Cost Management and Administration.

Detailed explanations and breakdowns of administration costs are provided under 'Management and Administration Costs'.

Budget Deviation Analysis

Income

The total income available for *AFEW* activities in 2014 was €1,731,946, which is 12% less than the latest budgeted of €1,968,000. Realized income is less than expected due to several contracts modification and some activities of the project Bridging the Gaps: Health and Rights of Key Populations being rescheduled for 2014-2015.

Expenditure

Accordingly, lower amount of expenditures took place during 2014. A total amount of €1,802,826 was spent in the 2014 operational year, which is 8% less than the budgeted amount of €1,968,000. Expenditure refers to money spent on core programme objectives, the costs of raising income and management and administration costs.

Reserves and Funds

Freely Disposable Capital

Freely disposable capital is what is referred to as a continuity reserve. In this area, *AFEW* complies with the guidelines for equity policy and equity reporting of the Dutch Association of Fundraising Organisations (VFI), which were adopted by the Central Bureau of Fundraising (CBF) in 2008.

Annex 13 ('Reserves and Investment Policy') to the CBF's 'Objectives and Tasks' document explains how organisations should deal with their financial reserves. The holding or building of reserves is allowed in certain cases:

- As an assigned fund or reserve and where a third-party donation is made for a specified goal in the future;
- As a continuity reserve for managing short-term risks. In this case, it should not exceed 1.5 times the yearly cost of the organisation;
- In order to finance assets for projects implemented by the organisation, or to implement a specific objective;
- As a reserve that will provide a source of income. Such a reserve is allowed when the income is necessary for the realisation of longer-term goals, under the condition that the destination is pre-determined and the principal is known.

The main priority in building and managing reserves and funds should be to maintain the value of the organisation's mission and goals, as well as the transparent management of funds. The organisation is responsible for ensuring clarity and transparency in complying with these regulations.

The purpose of the continuity reserve is to ensure that the organisation can continue operating should it experience a sudden drop in its funding, to ensure the sustainability of long-term programmes, to provide pre-financing for some activities, and to conduct exploratory missions in new countries. The *AFEW* Board set a long-term target of achieving a continuity reserve that is sufficient to cover a six-month period of operational costs.

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It is becoming increasingly difficult to find funding that will allow *AFEW* to continue to operate with the capacity of previous years. With further funding challenges expected in future, in 2010 the *AFEW* Board decided to set aside Restructuring Reserve from the continuity reserve, to cover the costs of possible organisational restructuring. At the end of 2013, the Restructuring reserve totalled €150,100. During 2014, the amount of €69,773 was spent from the Restructuring Reserve like severance payment to Elena Agapova, Director of Finance and Administration. At the end of 2014, the Restructuring reserve totalled €80,327 to cover further possible costs of downsizing of the international secretariat (Dutch *AFEW*).

To ensure proper downsize and restructuring of the Central Asia offices, in 2012 the Board decided to set aside €45,000 to cover required by legislation severance payments costs. During 2013, Kazakh office managed to sign several small contracts what helped to cover some costs of the office in second half of 2013. As a result, only €31,681 was spent from €45,000 CAR restructuring reserve in 2013.

With the support from *AFEW* international secretariat, independent NGO *AFEW* Kazakhstan is actively seeking for a new funding. The organization received USAID funding from July-August 2014, this is why it is important to keep minimum office staff in *AFEW* Kazakhstan until September 2014. With this, the *AFEW* Board decided to extend period of using CAR restructuring reserve during 2014. As a result €9,695 was spent from CAR restructuring reserve in 2014. At the end of 2014, the CAR restructuring reserve totalled €3,625.

As a result of movements among reserves, at the end of 2014 the continuity reserve of *AFEW* was reduced to €8,777. The size of the reserve is quite low and well below the standards laid down by the Central Bureau for Fundraising. Normally it is *AFEW's* policy to increase the continuity reserve to the desired level by means of positive balances on the income and expenditure statement.

Investment Policy

To avoid financial risks that may harm the financial stability of the organisation, Stichting *AIDS Foundation East-West* does not invest freely disposable capital. According to *AFEW* policy, liquidity cannot be invested in equities or bonds. Major donors' contracts require us to keep granted subsidies in cash.

Forecasts for 2015

For 2015, the income part of the budget at the moment of preparing the financial statements is expected to be 35% higher of the actual result 2014, or €2,4 mln. Income 2015 is mainly based on the project Bridging the Gaps: Health and Rights of Key Populations, funded by the Netherlands Ministry of Foreign Affairs, that will be last year of project and all the funds, which are left from previous years should be spent. Still, the Management Team sees the possibility to achieve better results during 2015, by signing new contracts during the year. Even it is very hard to predict new funding.

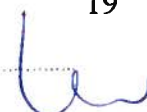
With finalization of the reorganization of *AFEW*, the year-end result 2015 is expected to be balanced.

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Budget for the Financial Year 2015

(x 1€)

	Actual 2014 EUR	Budget 2014 EUR	Budget 2015 EUR
INCOME			
Income from own fundraising	46.999	16.000	41.000
Income from joint activities	0		
Income from third parties activities	0		
Subsidies from governments	1.680.924	1.952.000	2.060.151
Other income	4.023		
TOTAL INCOME	1.731.946	1.968.000	2.101.151
Spent on objectives:			
Capacity Strengthening	757.562	871.017	973.076
Mass Media Campaigns	0	0	0
Advocacy	742.411	869.237	953.605
Other (research, provision of product sets, milk formula, condoms and other materials)	15.151	15.923	19.470
Costs of raising income:			
Cost of own fundraising	16.653	9.924	15.405
Cost of Joint activities		16.549	0
Cost of third party activities		0	0
Costs of obtaining governmental grants	38.121	28.725	34.308
Management and administration:			
Costs Management and administration	232.928	156.625	105.287
TOTAL EXPENDITURES	1.802.826	1.968.000	2.101.151
Balance of income and expenditure	(70.880)	-	-

AFEW objectives, described in the Strategic plan, are translated into 3 programme objectives. In 2010, *AFEW* decided on a new classification for its core programme objectives for a better reflection of what the organisation does. Following reclassification, there are now four main programme objectives:

- Capacity Strengthening (by far, *AFEW*'s largest area of activity, which includes training, sub-grants, technical support and client management),
- Advocacy
- Other (research, provision of product sets, condoms, milk formula and other materials).

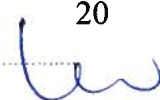
During 2014, *AFEW* spent 84% of its total expenditure on direct programme objectives, what is almost the same as in 2013 (89%).

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Balance Sheet

(As of 31st December 2014, after appropriation of the year-end surplus)

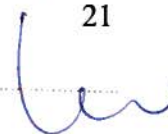
(x 1€)

		2014	2013
		EUR	EUR
Tangible fixed assets	1	0	0
Inventory		0	0
For immediate and full use in the context of the objective		0	0
Accounts receivable and deferred assets			
Donors	2	1.833.168	3.206.270
Other	3	262.288	207.302
		2.095.456	3.413.572
Cash and cash equivalents	4	475.820	840.290
TOTAL ASSETS		2.571.276	4.253.862
Reserves and Funds:			
Reserves	5		
Continuity reserve		8.777	12.258
Restructuring reserve		80.327	150.100
Restructuring reserve Central Asia		3.625	13.320
		92.729	175.678
Funds			
Special purpose funds	6	28.494	16.424
Long-term debts			
Subsidy commitments	7		1.999.896
Short-term debts			
Subsidy commitments	7	2.443.191	2.042.152
Other liabilities	8	6.862	19.711
		2.450.053	4.061.759
TOTAL LIABILITIES		2.571.276	4.253.862

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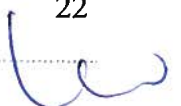


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Statement of Income and Expenditure for 2014

(x 1€)

		Actual 2014		Budget 2014		Actual 2013	
		EUR	EUR	EUR	EUR	EUR	EUR
INCOME	10						
Income from own fundraising:	A						
- Grants from international Foundations / NGOs		12.214				221.871	
- Grants from Businesses		8.271				124.547	
- Other: Donations / Collections		26.514		16.000		26.816	
			46.999		16.000		373.234
Income from joint activities	B		0				121.827
Income from third parties activities	C		0				5.361
Subsidies from governments	D		1.680.924		1.952.000		2.155.237
Other income/ loss	E		4.023				(7.984)
TOTAL INCOME			1.731.946		1.968.000		2.647.675
EXPENDITURES	11						
Spent on objectives:	A						
Capacity Strengthening		757.562		871.017		1.721.290	
Mass Media Campaign		0				7.876	
Advocacy		742.411		869.237		649.440	
Other (research, provision of product sets, milk formula, condoms and other materials)		15.151		15.923		94.167	
			1.515.124		1.756.177		2.472.773
Costs of raising income:	B						
Cost of own fundraising		16.653		9.924		11.406	
Cost of Joint activities		0		16.549		17.939	
Cost of third party activities							
Costs of obtaining governmental grants		38.121		28.725		44.787	
			54.774		55.198		74.132
Management and administration:	C						
Costs Management and administration		232.928		156.625			
			232.928		156.625		224.346
TOTAL EXPENDITURES			1.802.826		1.968.000		2.771.251
Balance of income and expenditure			(70.880)				(123.576)

Allocation of Year-end result:			
Continuity reserve		(3.481)	(78.392)
Continuation reserve Russia 2012			
Restructuring reserve, additions		-	19.189
Restructuring reserve, expenditures		(69.772)	(10.000)
Restructuring reserve Central Asia		(9.695)	(31.681)
Special purpose funds, additions		12.068	5.361
Special purpose funds, expenditures			(28.053)
Total allocation of Year-end result		(70.880)	(123.576)

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Cash Flow Statement

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(x 1€)

	2014 EUR	2013 EUR
Year-end Result	(70.880)	(123.576)
Depreciation on tangible fixed assets		
Changes in Inventory	-	175
Changes in working capital		
- Donor receivables	1.373.102	2.475.961
- Other current assets	(54.986)	(193.258)
- Subsidy commitments	(1.598.857)	(2.222.996)
- Other current liabilities	(12.849)	(163.158)
Net operating cash flow	(364.470)	(226.852)
Net cash flow from investment activities	-	-
Cash provided by financing activities	-	-
Change to cash and cash equivalents	(364.470)	(226.852)
Opening Cash balance	840.290	1.067.142
Closing Cash balance	475.820	840.290

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Notes to the 2014 Financial Statements

General

The 2014 Financial Statements have been prepared in accordance with Guideline RJ650 for Fundraising Organisations (revised in 2008).

Reporting Period

The statements are based on a reporting period of one year. The fiscal year coincides with the calendar year.

About the Organisation

The 2014 Financial Statements provide a financial overview of *Stichting AIDS Foundation East-West (AFEW)*. The organisation was founded on 4th January 2001 in the Netherlands, registration city Amsterdam, and during 2014 conducted operations in the Russian Federation, Ukraine, Kazakhstan, Kyrgyzstan and Tajikistan via registered representative offices. *AFEW* does not have country offices in Georgia, but in 2014 implemented a project in this country in collaboration with local partners. These projects are managed from *AFEW*'s Ukrainian office (Georgia).

In Ukraine, *AFEW* is registered as an International Charitable Foundation in accordance with Ukrainian legislation, and implements its activities in the country through a separate legal entity. The founder organisation is *Stichting AIDS Foundation East-West* (the Netherlands). During 2013 according to the restructuring plan, the management body of the Ukraine Charitable Foundation was changed from the Board members and Management Team of the *Stichting AIDS Foundation East-West* (the Netherlands), aiming to become legally independent organization and step out of the *Stichting AIDS Foundation East-West* control. From 2014 the foundation is considered to be fully independent body; accounting has changed accordingly.

At the end of December 2008, a separate Russian not-for-profit entity, the AIDS Foundation East-West Fund, was registered in Russia in order to allow us to obtain funding from Russian and international donors. The founder organisation is *Stichting AIDS Foundation East-West* (the Netherlands). During 2013 following to the restructuring plan, the statutory documents of the Russian entity have been changed, so the foundation became independent body. From 2014 the foundation is a fully independent body; accounting has changed accordingly.

Reporting Directive for Fundraising Institutions

AFEW maintains its accounting records in accordance with the legislative requirements of the countries in which it has operations.

This report has been drawn up in accordance with the 2008 guidelines for fundraising institutions (RJ650) as published by the Dutch Council for Annual Reporting. These guidelines provide the public with clear criteria for assessing fundraising cost ratios, expenditure of funds and whether these funds have been spent on the goals for which they were intended. The following financial statements have been prepared from the accounting records of *AFEW* and in accordance with the organisation's accounting policies.

Principles for the Valuation of Assets, Liabilities and Financial Results

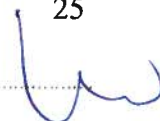
General

The principles applied in evaluating assets and liabilities and determining financial results are based on the historical cost. Unless otherwise stated, monetary assets and liabilities are shown at nominal value. Revenues and expenses are matched to the period in which they occurred (according to the matching principle).

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Principles for the Translation of Foreign Currencies

The currency used throughout this report is the Euro (€).

Transactions denoted in foreign currencies are converted using the prevailing exchange rate on the date of the transaction. Monetary assets and liabilities denoted in foreign currencies are translated into the functional currency based on the prevailing exchange rate at the time of compiling the balance sheet date.

Non-monetary assets and liabilities denoted in foreign currencies and recorded at historical cost are translated into Euros against the exchange rates prevailing on the date of the transaction. The gains and losses that occurred as a result of currency exchanges are shown in the income statement.

AFEW reports to donors using an average exchange rate for the year, except in cases where donors have requested reports using special exchange rates.

Principles for the Valuation of Assets and Liabilities

Tangible Fixed Assets

Tangible fixed assets are valued at actual cost (acquisition cost or cost of manufacture). Depreciation is calculated according to the straight-line method, on the basis of useful life.

The rates of depreciation are:

- Motor vehicles: 25%
- Computer equipment, office equipment, furniture, fixtures and fittings: 33%

Fixed assets that are deployed immediately for core objectives are fully depreciated, as long as the assets have an expected life that is less than or equal to project duration.

Fixed assets with a life exceeding project duration are depreciated according to the principles for tangible fixed assets.

Inventory

Items on the inventory are valued at purchase price. If applicable, a provision for unmarketable stocks will be deducted from the value of the stocks.

The inventory lists the materials that *AFEW* owns temporarily (prevention tools for target groups, office supplies, synergies, published materials and brochures).

Accounts Receivable

Accounts receivable are stated at nominal value less a bad debt provision.

Cash in Banks and Cash In Hand

Cash kept in banks and cash in hand are stated at nominal value.

Reserves

In accordance with a decision by the *AFEW* Board, a continuity reserve has been created. The continuity reserve is intended to ensure continuity of operations should the organisation experience a temporary drop in income.

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Special Purpose Reserve

The special purpose reserve is an operational asset made up of capital invested in tangible fixed assets which are employed for general operations.

Funds

Special purpose funds are resources provided for fixed purposes as specified by a third party.

Long-Term Debts and Current Liabilities

The long-term debts and current liabilities are stated at nominal value.

Direct Donations

Direct donations are recognised on a cash basis.

Compliance with WNT - Wet normering bezoldiging topfunctionarissen (semi)publieke sector (WNT)

For the implementation of the law remuneration of executives in the (semi) public sector ('Wet normering bezoldiging topfunctionarissen in de (semi) publieke sector; WNT'), AFEW has complied with the application policy WNT.

Financial Instruments

Financial instruments include receivables, cash, long-term debt and short-term debt. Financial instruments are recognized initially at fair value plus directly attributable transaction costs. After initial recognition, financial instruments are measured at amortized cost. If there are no premiums or discounts and directly attributable transaction costs are amortized cost equal to the nominal value. On receivables, a provision deemed necessary made for doubtful debts.

Subsidies

AFEW receives special purpose (contracted) subsidies for both institutional and project activities. The amounts received from institutional donors are granted for the purpose of organisational development. The amounts received from project donors are granted for specific projects and must be spent within the scope of these projects.

The full receivable amount over the full lifetime of the contract and the resultant commitment is recorded in the AFEW accounts on the contract date. These subsidies are recognised in the statement of income and expenditure in proportion to the progress of the project, based on actual expenditures.

Costs

Costs listed in this report include expenditure related to fulfilling the organisation's core objectives, raising income and management and administration. In 2010, AFEW decided on new classifications for its core programme objectives, so that they reflect better what the organisation does.

Following reclassification, there are now three main objectives:

- Capacity Strengthening (by far, AFEW's largest area of activity, which includes training, sub-grants, technical support and client management),
- Advocacy
- Other (research, provision of product sets, infant milk formula, condoms and other materials).

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Costs are allocated on the basis of the following criteria:

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- **Directly attributable costs** are those directly allocated to programme activities;
- **Indirectly attributable costs** are costs associated with raising income and management and administration. Further specification of direct and indirect costs is presented below, under **Notes to the Income Statement**, 'Costs of Raising Income' and 'Management and Administration Costs'.

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Notes to the Financial Statements

Notes to the Balance Sheet

1. Tangible Fixed Assets

All of the AFEW assets were fully depreciated in 2013.

(x 1€)

	Motor vehicles EUR	Computer equipment EUR	Office equipment EUR	Furniture EUR	Total 2013 EUR	Total 2012
Investments						
Historical Costs as at 1 January 2013	15.517	-	-	-	15.517	15.517
Investments					-	
Disinvestments	(15.517)				(15.517)	-
Historical Costs as at 31 December 2013	-	-	-	-	-	15.517
Depreciation						
Depreciation as at 1 January 2013	(15.517)	-	-	-	(15.517)	(15.517)
Depreciation					-	
Disinvestments	15.517	-	-	-	15.517	-
Depreciation as at 31 December 2013	-	-	-	-	-	(15.517)
Net book value as at 31 December 2013	-	-	-	-	-	-

2. Main Accounts Receivable

(x 1€)

	2014 EUR	2013 EUR
Balance as at 01 January	3.206.270	5.682.231
Granted during the Year	102.400	845.972
Contract reversals during the Year	1.870	(441.712)
Received during the Year (incl. refunds to donors)	(1.477.372)	(2.869.002)
Exchange rate difference and revaluation	0	(11.219)
Balance as at 31 December	1.833.168	3.206.270

As of 31st December 2014, short-term donor receivables totalled €1,833,168.

By the end of 2014, donor receivables were 43% less compared to donor receivables at the end of 2013. This is a reflection of the decrease in funding for AFEW's programs. Given that multiple-year contracts with donors are signed at irregular intervals, donor receivables may vary significantly from year to year.

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It was no differences in exchange rates during 2014 in donor receivables, because all the grants in 2014 were received in EUR.

3. Other Accounts Receivable

(x 1€)

	2014 EUR	2013 EUR
Advances to suppliers	-	
Settlements with Employees	-	
Other receivables	11.763	39.844
Advances paid to AFEW independent local foundations	250.526	167.458
	<hr/>	<hr/>
	262.289	207.302

Other receivables consist of advances paid to suppliers and some other receivables. With implementation of restructuring 2013, closure of AFEW branches and moving of project activities to AFEW local foundations, AFEW international secretariat changed accounting accordingly. AFEW local foundations are successors of AFEW branches and assumed activities of AFEW projects. AFEW international secretariat prepays advances to AFEW local foundations. AFEW local foundations report on expenses to AFEW international secretariat on a quarterly basis.

4. Liquid Assets

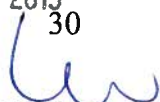
(x 1€)

	2014 EUR	2013 EUR
Current accounts	25.436	30.938
Deposit account	450.129	809.012
Petty cash	255	340
	<hr/>	<hr/>
Total	475.820	840.290

By the end of the year, most liquid assets were kept in Euros (€456,180 or 95,9% of the total liquid assets). 4,1% or equivalent of €19,640 was kept in US dollars.

Liquid assets are not restricted for use by any obligations and are freely accessible.

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5. Reserves

AFEW builds its own reserve in accordance with CBF guidelines. The Board set a long-term target of a continuity reserve that would cover a six-month period of operational costs. Operational costs include: salaries of administrative (non-project) staff and costs related to office rental and maintenance of international and regional offices.

The purpose of the continuity reserve is to ensure that the organisation can continue operating should it experience a sudden drop in its funding, to ensure the sustainability of long-term programmes, to provide pre-financing for some activities, and to conduct exploratory missions in new countries. Any changes in the continuity reserve are stated in the annual report and financial statements.

It is becoming increasingly difficult to find funding that will allow *AFEW* to continue to operate with the capacity of previous years. With further funding challenges expected in future, in 2010 the *AFEW* Board decided to set aside Restructuring Reserve from the continuity reserve, to cover the costs of possible organisational restructuring. During 2013, the amount of €10,000 was spent from the Restructuring Reserve and €19,189 was added to the Restructuring reserve. At the end of 2013, the Restructuring reserve totalled €150,100 to cover further possible costs of downsizing of the international office (*AFEW* Netherlands). In 2014 from the Restructuring reserve was used €69,773.

To ensure proper downsize and restructuring of the Central Asia offices, in 2012 the Board decided to set aside €45,000 to cover required by legislation severance payments costs. During 2013, Kazakh office managed to sign several small contracts what helped to cover some costs of the office in second half of 2013. As a result, only €31,681 was spent from €45,000 CAR restructuring reserve in 2013.

With the support from *AFEW* international secretariat, independent NGO *AFEW* Kazakhstan is actively seeking for a new funding. The organization received USAID funding from summer 2014, till this time is why it is important to keep minimum office staff in *AFEW* Kazakhstan until July-August 2014. With this, the *AFEW* Board decided to extend period of using CAR restructuring reserve during of 2014. In 2014 from CAR restructuring reserve was spent €9,695.

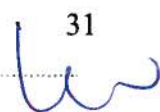
As a result of movements among reserves, at the end of 2014 the continuity reserve of *AFEW* was reduced to €8,777. The size of the reserve is quite low and well below the standards laid down by the Central Bureau for Fundraising. Normally it is *AFEW*'s policy to increase the continuity reserve to the desired level by means of positive balances on the income and expenditure statement.

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Reserves

(x 1€)

	Continuity reserve	Restructuring reserve	Restructuring reserve Central Asia	Total
As at 31 December 2013	12.258	150.100	13.320	175.678
Result appropriation 2014	(3.481)	(69.773)	(9.695)	(82.949)
As at 31 December 2014	<u>8.777</u>	<u>80.327</u>	<u>3.625</u>	<u>92.729</u>

Restructuring Reserve, severance payment to E.Agapova 69773,19

6. Funds

(x 1€)

Special purpose Funds

	Special purpose Fund AIDS-Fondet, Denmark EUR
Balance on 1 January 2014	16.424
Mutations:	
Additions, funding received during 2014	12.070
Expenditures made during 2014	
Balance on 31 December 2014	28.494

The special purpose fund is based on a grant made in earlier years and during 2014 by AIDS-Fondet Denmark. These funds are allocated to supporting the Drop-in Centre for Street Children in Kyiv, Ukraine. €12,068 new funding received from AIDS-Fondet Denmark fundraising activities 2014.

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7. Main Liabilities

Subsidy Commitments

(x 1€)

	2014 EUR	2013 EUR
Balance as at 01 January	4.042.049	6.265.044
Granted subsidies during the Year	90.332	845.967
Reversed during the Year	-	(441.712)
Spent during the Year	(1.689.190)	(2.623.481)
Exchange rate difference and revaluation	(0)	(3.770)
Balance as at 31 December	2.443.191	4.042.048

As of 31st December 2014 there was a balance of €2,443,191 in subsidy commitments, among which short-term commitments amounted to €2,443,191 and long-term commitments amounted to €0.

8. Other Liabilities

(x 1€)

	2014 EUR	2013 EUR
Accounts payable, incl. salaries and accrued payroll taxes	820	8.829
Audit costs	6.042	10.882
	<hr/>	
	6.862	19.711

Other liabilities include salaries, payroll taxes, accrued audit costs and other accounts payable.

9. Off-balance-sheet Obligations

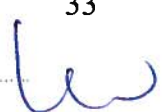
Multiple Year Financial Obligations

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Long-term, unconditional obligations have been entered into for the lease of the Amsterdam international secretariat office. The new lease agreement has been signed from 1st of January 2011 and has an expiration date of 31st December 2015. The lease agreement includes office rental, office maintenance costs (utility, cleaning costs, insurance, security, municipal taxes), some office supplies and ICT support.

The final amount depends on the number of people working in the office and number of square meters occupied. Currently, 3 *AFEW* staff work in the office and occupies 14 sq. meter office space and a lobby (excluding shared areas). Annual costs foreseen under the lease agreement for 2014 and beyond amount to €21,624 per year.

The lease agreement may be terminated by *AFEW* with no penalties any time before the expiration date, by giving landlord 6 months written notice.

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Notes to the Income Statement

10.Income

A. Income from AFEW's own Fundraising Activities

(x 1€)

	Actual 2014 EUR	Budget 2014 EUR	Actual 2013 EUR
INCOME			
Income from own fundraising:			
- Grants from international Foundations / NGOs	12.214		221.871
- Grants from Businesses	8.271		124.547
- Other: Donations / Collections	26.514	16.000	26.816
	46.999	16.000	373.234

AFEW makes grant applications directly to international foundations, NGOs and businesses. These are classified as income from own fundraising. In 2014, this fundraising generated:

€146 from Focus Media for organizing a study tour in framework of "Strengthening Networking of Non-Governmental Organizations Representing HIV-Positive Women in Belarus, Russian Federation and Ukraine" project supported by UNDEF;

€12,068 from AIDS-Fondet Denmark. These funds are allocated to supporting the Drop-in Centre for Street Children in Kyiv, Ukraine.

The income received from international foundations and NGOs significantly decreased compared to 2013 with the overall funding reduction (almost 95% less), and was in line with the budgeted amount.

Volume of funds from businesses also decreased compared to 2013, but stays low in AFEW's portfolio. It is not easy to get businesses interested in the target groups that AFEW reach with its activities (people using drugs, prison inmates, sex workers). During 2014 AFEW recognized income from next two business companies:

€2,045 from "Gilead Sciences Europe Ltd" project for HEP testing in Tajikistan.

€6,226 from ViiV Healthcare U.K. for pilot funding for development of an effective model of preventive education and promotion of healthy life style among young inmates in the Republic of Kazakhstan

Opportunities for corporate fundraising are under Executive director and regional directors' agenda. Substantial efforts were put in place last years to increase involvement of business in funding HIV/AIDS prevention, treatment, care and support programs.

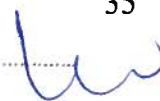
AFEW does not attempt to raise funds from the general public, partly because of the reasons outlined above and partly because of the substantial financial resources needed to establish a brand in a very saturated market.

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Other Donations / Collections of €26,514 represent the amounts received for AFEW activities from companies and individuals. The amount includes income from the City Health Conference – 2014 (€25,783).

B. Income from Joint Activities

In 2014, there was no income from joint activities.

C. Income from Third-Party Fundraising

In 2014, there was no income received from third-party fundraising activities.

D. Governmental Subsidies

Government income was mainly drawn from the Netherlands Ministry of Foreign Affairs, which in 2014 contributed €1,680,924.

E. Other income and loss

Exchange rate differences, income or loss from balance sheet accounts revaluation (for accounts kept in currencies other than euro), interest earned at bank accounts and other minor corrections are included into Other income / loss line of the Statement of Income and Expenditures and in 2014 it was income €4,023 . These items are usually not budgeted due to difficulty to predict and immateriality of the amounts.

11. Expenditures

Costs relate to fulfilment of programme organisational objectives (direct costs), cost of raising income and management and administration costs (indirect costs).

A. Expenditures on Programme Objectives

In 2010, *AFEW* decided on new classifications for its core programme objectives, so that they reflect better what the organisation does.

Following reclassification, there are now three main objectives:

- Capacity Strengthening (by far, *AFEW*'s largest area of activity, which includes training, sub-grants, technical support and client management),
- Advocacy
- Other (research, provision of product sets, milk formula, condoms and other materials).

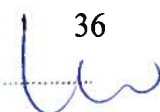
Expenditure on Programme Objectives

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(x 1€)

	Actual 2014	Budget 2014	Actual 2013
	EUR	EUR	EUR
Spent on objectives:			
Capacity Strengthening	757.562	871.017	1.721.290
Mass Media Campaign	0		7.876
Advocacy	742.411	869.237	649.440
Other	15.151	15.923	94.167
Total Direct Costs	1.515.124	1.756.177	2.472.773

Capacity Strengthening

With overall donors' funding decrease for AFEW work, in 2014 total direct costs (spent on objectives) decreased compared to 2013 at more than 39%. Direct costs were 14% less than the budgeted amount due to rescheduling of several programme activities to 2015.

Mass Media Campaigns

Nothing was spent on mass media campaigns in 2014. It is no longer a strategic objective.

Advocacy

With implementation of 'Bridging the Gaps: Health and Rights of Key Populations' project funded by the Dutch Ministry of Foreign Affairs which is implemented in 4 countries, substantially more money was spent on advocacy activities. Still, the actual expenses 2014 are lower than the budgeted due to some activities being rescheduled for 2015.

Other

Activity for supply of HEP testing sets funded by Project TAD-HEP contributed to spending under Other objective. Total actual expenses 2014 for this activity were slightly less than the budgeted amount due to contracts modification.

B. Costs of Raising Income

The costs of raising income in 2014 related to AFEW's own fundraising and the costs of raising governmental grants.

Costs of AFEW's Own Fundraising

(x 1€)

	Actual 2014	Budget 2014	Actual 2013
	EUR	EUR	EUR
Costs of raising income:			
Cost of own fundraising	16.653	9.924	11.406

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These costs include payment to fundraising consultants (if any), part of the costs of the Executive Director's salary and wage taxes, and part of the expenses of the Communications Department. Due to the nature of the work and time spent on specific fundraising activities, 20% of the Executive Director's salary and wages and 55% of the total costs of Communications Department were charged to fundraising in 2014.

In the last three operational years, on average 5% of *AFEW*'s income raised from its own fundraising was spent on fundraising expenses.

Costs of Raising Governmental Subsidies

(x 1€)

	Actual 2014 EUR	Budget 2014 EUR	Actual 2013 EUR
Costs of raising income:			
Costs of obtaining governmental grants	38.121	28.725	44.787

The cost of raising governmental grants includes 20% of the salary and wage taxes of the Executive Director, 20% of the costs of the International Office Finance Department, Human Resources, Facilities and Computer Technologies Units, and 10% of the expenses of the Communications.

C. Management and Administration Costs

Administration expenses are those expenses incurred in the management and administration of the organisation. They primarily relate to executive management, finance and human resource management, internal and external communications and the Board's travel expenses.

AFEW has brought its approach to and definitions of M&A costs into line with the new RJ650 guidelines. As a result, a separate heading for M&A was added to the profit and loss statement. The RJ650 guidelines allow fundraising institutions the freedom to determine which costs will be allocated to M&A, as long as a consistent method is used. Each fundraising institution is obliged to create its own guidelines for determining these expenses. For this purpose, *AFEW* uses the VFI Recommended Application of Guideline RJ650 for Cost Management and Administration.

For assessment of the 2014 results, the principle of management and administration costs allocation was slightly revised based on reality new organisational structure. Accordingly, the cost of *AFEW* Board meetings, executive management, 80% of the International Office Finance Department, Human Resources, Facilities and ICT units and 35% of the Communications and Advocacy Department's budget were allocated to M&A.

	Actual 2014 EUR	Budget 2014 EUR	Actual 2013 EUR
Management and administration:			

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Costs Management and administration

232.928

156.625

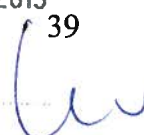
224.346

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Expenditure Divisions

MODEL C 2014

Destination (EUR):	CB	ME	ADV	OTH	ADMIN						Management & administration	Total 2014	Budget 2014	Total 2013
Expenditures	Objectives	Capacity Strengthening	Mass Media Campaigns	Advocacy	Other	Own fundraising	Joint activities	Third party activities	Grants from government	Investments	EUR	EUR	EUR	EUR
Subsidies and contributions (subgrants to third parties)	757.562	-	742.411	15.151	-	-	-	-	-	-	-	1.515.124	1.756.177	1.106.348
Outlays	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase and acquisitions:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Outsourced activities	-	-	-	-	-	-	-	-	-	-	-	-	-	555.902
Public relations and communication (incl. Media activities)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Staff costs:	-	-	-	-	-	1.248	-	-	-	-	1.486	2.734	-	39.244
Office rent	-	-	-	-	-	15.405	-	-	29.968	-	143.318	188.691	190.223	869.050
Office maintenance and supplies, incl. Depreciation	-	-	-	-	-	-	-	-	4.827	-	19.310	24.137	21.600	84.533
	-	-	-	-	-	-	-	-	3.326	-	68.815	72.141	11.400	116.174
Total	757.562		742.411	15.151		16.653		-	38.121	-	232.928	1.802.827	1.968.000	2.771.251

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* Purchase and acquisition includes travel, accommodation, consultancy, information material development, monitoring and evaluation, conference participation, training and support activities

% of the total costs
50,00%
42,02%

Program

costs

of the total costs

0,00%

0,00%

49,00%

41,18%

0,00%

0,92%

2,11%

12,92%

100,00%

Costs directly attributable to *AFEW*'s four core objectives (programme activities) amounted to €1,515,124 (or 84% of the total expenditure for 2014). Directly attributable costs decreased by more than 38% compared to 2013 (from €2,472,773), due to reasons explained earlier.

Management and administration costs represented 13% of the total expenditure 2014, or €232,928. These costs increased compared to 2013, in terms of amount (from €224,347 in 2013), and also increased as a percentage of total costs (from 8% in 2013 to 13% in 2014).

Total indirect costs, which include money spent on management and administration and fundraising, totalled €287,702 or 16% of total expenditure in 2014 (for comparison, in 2013 the figure was €298,478 or 11% of the total expenditure).

Breakdown of Staff Costs

(x 1€)

	Actual 2014 EUR	Budget 2014 EUR	Actual 2013 EUR
Salaries	114.527		683.668
Social securities / taxes	68.458		168.557
Pension Plan	0		0
Others	5.707		16.145
Total Staff costs	188.691	194.892	868.370

The total amount spent on staff in 2014 decreased by more than 72% compared to 2013, due to restructuring 2013 and less people working with reduced % of time in the international secretariat.

Remuneration of the Supervisory Board

Board members do not receive remuneration for their activities in accordance with *AFEW* policy.

Remuneration of Directors

The Board delegates day-to-day supervision and management of the organisation to the Management Team, which in 2014 consisted of the Executive Director and the Director of Finance and Administration.

Directors' salaries are in line with the amount recommended by the VFI in their 'Adviesregeling Beloning Directeuren van Goede Doelen' ('Advice on Remuneration of Directors of Charities'). Directors' salaries are subject to the approval of the Board. Directors' salaries and the annual pay rise are subject to an annual review. In general, in previous years the annual pay rise was set in *AFEW* at 2-5% for staff of the International Office.

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In 2014, the same as in 2010-2013, no pay rises were awarded to international office staff due to the limited availability of funds. Only staff who took on additional responsibilities during 2014 and whose job profiles were updated received approval for a salary raise. None of the directors received an end-of-year bonus ('Eindejaarsuitkering'). AFEW does not provide pension fund payments for its directors and other staff.

AFEW complies with the WNT and that the remuneration of directors is the same as under application of WNT as no pension charge is included.

AFEW has applied the application policy WNT in the preparation of the financial statements. The WNT Adjustment Act, which is part of this framework, has not yet passed the Senate, which may lead to adjustments of the information provided under the application policy WNT.

In the context of implementation of the Adjustment Act WNT, the following data are made public for the following executives:

Name	J.J. van Dam	E. Agapova	1)
Position	Executive Director	Director of Finance and Administration	
Terms and Conditions			
Type of contract	indefinite	indefinite	
hours	32	39	
part-time percentage	80%	100%	
period	1/1-31/12	1/1-15/8	
Remuneration (EUR)			
Annual income, gross:			
salary	67.284	29.863	
holiday pay	5.481	4.236	
severance payment	-	69.768	
bonuses	-	-	
Total	72.765	103.867	
Other costs:			
Pension contribution	-	-	
Social security costs	-	-	
Secondary employment condition	-	-	
Total remuneration 2014	72.765	103.867	
Total remuneration 2013	81.207	51.420	

1) E. Agapova: 30% tax exemption ruling applies. 30% tax exemption ruling is granted by the Netherlands government to some foreign workers who meet special conditions. During 2014, E. Agapova received wage tax exemption in the total amount of €14613,98.



Other information

Appropriation of result

AFEW closed the financial year 2014 with an expected negative result of €70,880. Based on the Board's decision, negative result of 2014 has been covered and split between different AFEW reserves and Special purpose fund, as provided below.

During 2014 €3,481 was spent from the Continuity reserve. The amount of €69,773 was spent from the Restructuring Reserve. €9,695 was spent from Central Asia restructuring reserve in 2014. €12,068 were added to the Special purpose fund for street children activities in Ukraine as new funding received from AIDS-Fondet Denmark fundraising activities 2014.

Signed by AFEW Board members and the Management Team on 18th of May 2015 in Amsterdam.

Board Members:

Frank de Wolf (Chairman)

James Nolan (Treasurer)

Leah Utyasheva (Board Member)

Elena Vovc (Board Member)

Guido van den Berk (Board Member)

Cate Hankins (Board member)

Management Team:

Anke van Dam (Executive Director)

Tamara Ammerlaan (senior financial manager)

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11 JUN 2015



Independent auditor's report

To: The Management of Stichting Aids Foundation East West

Report on the financial statements

We have audited the accompanying financial statements 2014 of Stichting Aids Foundation East West, Amsterdam, which comprise the balance sheet as at 31 December 2014, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the management board report, both in accordance with Guideline for annual reporting 650 "fundraising institutions" of the Dutch Accounting Standards Board. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Stichting Aids Foundation East West as at 31 December 2014 and of its result for the year then ended in accordance with Guideline for annual reporting 650 “fundraising institutions” of the Dutch Accounting Standards Board.

Utrecht, 11 June 2015

For and on behalf of
BDO Audit & Assurance B.V.,

R.W.A. Eradus RA

A handwritten signature in blue ink, starting with a long diagonal stroke from the bottom left, curving upwards and to the right, then looping back down and to the right.